



Dave Yost • Auditor of State

VILLAGE OF MCCOMB
HANCOCK COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of McComb
Hancock County
210 East Main Street, P.O. Box 340
McComb, Ohio 45858-0340

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of McComb, Hancock County, Ohio (the Village) as of and for the years ended December 31, 2016 and 2015.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2016 and 2015, and the respective changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of McComb, Hancock County, Ohio as of December 31, 2016 and 2015, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 3 to the 2016 financial statements, during 2016 the Village transferred the entire McComb Water and Sewer System to the Northwestern Water and Sewer District. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2018, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

January 30, 2018

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**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$54,792				\$54,792
Municipal Income Tax	933,382				933,382
Intergovernmental	62,268	\$134,541		\$14,982	211,791
Special Assessments		58,784		117,141	175,925
Charges for Services	31,199				31,199
Fines, Licenses and Permits	14,832				14,832
Earnings on Investments	15,051	2,923			17,974
Miscellaneous	8,109	1,460			9,569
<i>Total Cash Receipts</i>	<u>1,119,633</u>	<u>197,708</u>		<u>132,123</u>	<u>1,449,464</u>
Cash Disbursements					
Current:					
Security of Persons and Property	359,401	1,168			360,569
Public Health Services	22,500				22,500
Lesiure Time Activites	136,567				136,567
Community Environment	1,969	53,951			55,920
Transportation	62,861	165,551			228,412
General Government	330,088	89,339		104,533	523,960
Capital Outlay				36,866	36,866
Debt Service:					
Principal Retirement	37,771		\$11,133	34,542	83,446
Interest and Fiscal Charges	6,348		2,146	17,465	25,959
<i>Total Cash Disbursements</i>	<u>957,505</u>	<u>310,009</u>	<u>13,279</u>	<u>193,406</u>	<u>1,474,199</u>
<i>Excess of Receipts Over/(Under) Disbursements</i>	<u>162,128</u>	<u>(112,301)</u>	<u>(13,279)</u>	<u>(61,283)</u>	<u>(24,735)</u>
Other Financing Receipts (Disbursements)					
Other Debt Proceeds				26,672	26,672
Transfers In			11,807		11,807
Transfers Out	(11,807)				(11,807)
Other Financing Sources	4,481				4,481
Other Financing Uses		(3,539)			(3,539)
Total Other Financing Receipts (Disbursements)	<u>(7,326)</u>	<u>(3,539)</u>	<u>11,807</u>	<u>26,672</u>	<u>27,614</u>
<i>Net Change in Fund Cash Balances</i>	154,802	(115,840)	(1,472)	(34,611)	2,879
<i>Fund Cash Balances, January 1</i>	<u>121,597</u>	<u>408,990</u>	<u>1,740</u>	<u>438,878</u>	<u>971,205</u>
Fund Cash Balances, December 31					
Restricted		293,150	268	404,267	697,685
Assigned	233,934				233,934
Unassigned	42,465				42,465
<i>Fund Cash Balances, December 31</i>	<u>\$276,399</u>	<u>\$293,150</u>	<u>\$268</u>	<u>\$404,267</u>	<u>\$974,084</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$1,065,902
Operating Cash Disbursements	
Personal Services	69,676
Fringe Benefits	30,866
Contractual Services	736,650
Supplies and Materials	65,803
Other	15,642
<i>Total Operating Cash Disbursements</i>	918,637
<i>Operating Income</i>	147,265
Non-Operating Disbursements	
Capital Outlay	(79,625)
Principal Retirement	(264,067)
Interest and Other Fiscal Charges	(32,790)
<i>Total Non-Operating Receipts Disbursements</i>	(376,482)
<i>Loss before Special Item and Capital Contributions</i>	(229,217)
Special Item (See Note 3)	(727,740)
Capital Contributions	25,984
<i>Net Change in Fund Cash Balances</i>	(930,973)
<i>Fund Cash Balances, January 1</i>	1,160,422
<i>Fund Cash Balances, December 31</i>	\$229,449

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

Note 1 - Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of McComb, Hancock County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water, sewer, and gas utilities, park operations, and police services. The Village appropriates general fund money to support a volunteer fire department.

The Village participates in Public Entities Pool of Ohio. Note 9 to the financial statements provide additional information for this entity.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's basic financial statements consist of a combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) for all governmental fund types and a combined statement of receipts disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented in two categories: governmental and proprietary.

General The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair Fund This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Special Assessment Street Lighting Fund This fund receives special assessments to maintain the Village street lighting.

State Highway Fund This fund accounts for and reports the portion of State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of the state highway within the Village.

Debt Service Fund These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

East Perrin Sewerline Debt Fund This fund receives transfers from the General Fund to pay the Ohio Water Development Authority (OWDA) loan for this project.

VILLAGE OF MCCOMB
HANCOCK COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)

Capital Projects Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Funds:

Park District Grant Fund This fund receives proceeds from the Hancock County Park District. The proceeds are being used for improvements to the park.

Special Assessment Street Repair Fund - This fund receives special assessments to maintain designated Village streets.

Enterprise Funds These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Gas Fund - This fund receives charges for services from residents to cover the cost of providing natural gas services.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

A summary of 2016 budgetary activity appears in Note 4.

Cash and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Village Council or a Village official delegated that authority by resolution or by State Statute. State Statute authorizes the Village Council to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Discontinued Water and Sewer Operations

On July 14, 2016 the Village passed Resolution 2016-69 which transferred the entire Village of McComb Water Treatment and Wastewater Treatment Plant, including but not limited to physical assets, the water, sewer and water tower loans and remaining balances in the Enterprise fund except for the Gas Operating fund to the Northwestern Water and Sewer District for management, upkeep, repair and all other purposes. The Village no longer operates the water or waste water treatment plants. The Village paid the remaining balances in the Enterprise Fund except for the Gas Operating fund of \$727,740 to Northwestern Water and Sewer District on December 22, 2016. This is reported as a special item on the financial statements. Northwestern Water and Sewer District also assumed \$1,614,008 in debt related to the Water, Wastewater, and Water Tower Funds.

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$947,376	\$1,124,114	\$176,738
Special Revenue	184,000	197,708	13,708
Debt Service	17,028	11,807	(5,221)
Capital Projects	151,782	158,795	7,013
Enterprise	1,329,000	1,091,886	(237,114)
Total	\$2,629,186	\$2,584,310	(\$44,876)

2016 Budgeted vs Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,041,520	\$991,508	\$50,012
Special Revenue	560,883	314,644	246,239
Debt Service	13,547	13,279	268
Capital Projects	587,163	200,888	386,275
Enterprise	1,898,182	2,023,103	(124,921)
Total	\$4,101,295	\$3,543,422	\$557,873

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

Note 5 – Deposits

The Village maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

	<u>2016</u>
Demand Deposits	\$487,048
CDARS	410,178
Other Time Deposits	<u>306,257</u>
Total Deposits	1,203,483
Cash on Hand	<u>50</u>
Total	<u><u>\$1,203,533</u></u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Note 6 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

Income Taxes

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 7 – Interfund Balances and Transfers

Transfers

During 2016, the General Fund made transfers, in the amount of \$11,807 to the Debt Service Funds.

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a costsharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Ohio Police and Fire Retirement System

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2016.

Social Security

Several Village employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participant.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Note 9 - Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2016, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016.

	<u>2016</u>
Assets	\$42,182,281
Liabilities	<u>(13,396,700)</u>
Net Position	<u>\$28,785,581</u>

At December 31, 2016 the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Village's share of these unpaid claims collectible in future years is approximately \$12,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>2016 Contributions to PEP</u> \$18,890
--

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 10 - Debt

Notes Payable

Debt outstanding at December 31, 2016 was as follows:

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

	Outstanding 12/31/16	Interest Rate
Governmental Activities		
General Obligation Notes	\$249,035	2%
SIB Loan	520,858	3%
OPWC Loans	65,092	0%
Total	<u>\$834,985</u>	

The General Obligation Notes were issued for the construction of a new Municipal swimming pool for the Village residents. The pool note was issued in November 2007 in the amount of \$520,000 and at year end has a remaining balance of \$249,035. The notes are being retired from General Fund revenue.

In 2014, the State Infrastructure Bank (SIB) approved a loan in the amount of \$642,000 for the reconstruction of Oliver Street. The Village has received \$520,858 to date.

The Ohio Public Works Commission (OPWC) loans relate to the installation of waterlines, and improvements of streets and sewer lines in the Village. There are three separate loans issued in 2006, 2007 and 2009 in the amounts of \$61,062, \$14,400 and \$35,525 respectively, with outstanding balances at year-end of \$30,530, \$7,920 and \$26,642. These loans are being retired from debt service funds with monies transferred from the General Fund.

Amortization of the above debt, including interest, is scheduled as follows:

Year	General Obligation Notes	OPWC Loans	SIB Loan
2017	\$44,120	\$4,957	\$52,007
2018	44,120	4,957	52,007
2019	44,120	4,957	52,007
2020	44,120	4,957	52,007
2021	44,120	4,957	52,007
2022-2026	47,546	24,786	260,034
2027-2031		6,641	104,014
2032-2036		5,920	
2037-2041		2,960	
Total	<u>\$268,146</u>	<u>\$65,092</u>	<u>\$624,083</u>

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$47,047	\$784			\$47,831
Municipal Income Tax	836,584				836,584
Intergovernmental	33,978	123,321		\$62,840	220,139
Special Assessments		41,260		96,844	138,104
Charges for Services	22,693				22,693
Fines, Licenses and Permits	13,955				13,955
Earnings on Investments	15,600	261			15,861
Miscellaneous	44,831	26,257			71,088
<i>Total Cash Receipts</i>	<u>1,014,688</u>	<u>191,883</u>		<u>159,684</u>	<u>1,366,255</u>
Cash Disbursements					
Current:					
Security of Persons and Property	356,509	23,479			379,988
Public Health Services	24,097				24,097
Lesiure Time Activites	126,399				126,399
Community Environment		46,834			46,834
Transportation	142,850				142,850
General Government	330,605	175,463		48,019	554,087
Capital Outlay		35,573		516,003	551,576
Debt Service:					
Principal Retirement	36,931		\$12,680		49,611
Interest and Fiscal Charges	7,189		2,608		9,797
<i>Total Cash Disbursements</i>	<u>1,024,580</u>	<u>281,349</u>	<u>15,288</u>	<u>564,022</u>	<u>1,885,239</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(9,892)</u>	<u>(89,466)</u>	<u>(15,288)</u>	<u>(404,338)</u>	<u>(518,984)</u>
Other Financing Receipts (Disbursements)					
Other Debt Proceeds				711,067	711,067
Sale of Capital Assets	5,035				5,035
Transfers In			8,514		8,514
Transfers Out	(93,514)				(93,514)
Other Financing Sources				1,622	1,622
Other Financing Uses		(1,622)			(1,622)
Total Other Financing Receipts (Disbursements)	<u>(88,479)</u>	<u>(1,622)</u>	<u>8,514</u>	<u>712,689</u>	<u>631,102</u>
<i>Net Change in Fund Cash Balances</i>	<u>(98,371)</u>	<u>(91,088)</u>	<u>(6,774)</u>	<u>308,351</u>	<u>112,118</u>
<i>Fund Cash Balances, January 1</i>	<u>219,968</u>	<u>500,078</u>	<u>8,514</u>	<u>130,527</u>	<u>859,087</u>
Fund Cash Balances, December 31					
Restricted		408,990	1,740	438,878	849,608
Assigned	33,692				33,692
Unassigned	87,905				87,905
<i>Fund Cash Balances, December 31</i>	<u>\$121,597</u>	<u>\$408,990</u>	<u>\$1,740</u>	<u>\$438,878</u>	<u>\$971,205</u>

The notes to the financial statements are an integral part of this statement

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$1,233,175
Operating Cash Disbursements	
Personal Services	110,594
Fringe Benefits	45,493
Contractual Services	641,384
Supplies and Materials	168,326
Other	7,348
<i>Total Operating Cash Disbursements</i>	973,145
<i>Operating Income</i>	260,030
Non-Operating Receipts (Disbursements)	
Other Debt Proceeds	428,628
Capital Outlay	(688,223)
Principal Retirement	(279,180)
Interest and Other Fiscal Charges	(38,852)
<i>Total Non-Operating Receipts (Disbursements)</i>	(577,627)
<i>Loss before Capital Contributions and Transfers</i>	(317,597)
Capital Contributions	87,781
Transfers In	85,000
<i>Net Change in Fund Cash Balances</i>	(144,816)
<i>Fund Cash Balances, January 1</i>	1,305,238
<i>Fund Cash Balances, December 31</i>	\$1,160,422

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

Note 1 - Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of McComb, Hancock County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water, sewer, and gas utilities, park operations, and police services. The Village appropriates general fund money to support a volunteer fire department.

The Village participates in Public Entities Pool of Ohio. Note 8 to the financial statements provide additional information for this entity.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's basic financial statements consist of a combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) for all governmental fund types and a combined statement of receipts disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented in two categories: governmental and proprietary.

General The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair Fund This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Special Assessment Street Lighting Fund This fund receives special assessments to maintain the Village street lighting.

State Highway Fund This fund accounts for and reports the portion of State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of the state highway within the Village.

Debt Service Fund These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

East Perrin Sewerline Debt Fund This fund receives transfers from the General Fund to pay the Ohio Water Development Authority (OWDA) loan for this project.

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

Capital Projects Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Funds:

Park District Grant Fund This fund receives proceeds from the Hancock County Park District. The proceeds are being used for improvements to the park.

Special Assessment Street Repair Fund - This fund receives special assessments to maintain designated Village streets.

Enterprise Funds These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Gas Fund - This fund receives charges for services from residents to cover the cost of providing natural gas services.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

A summary of 2015 budgetary activity appears in Note 3.

Cash and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Village Council or a Village official delegated that authority by resolution or by State Statute. State Statute authorizes the Village Council to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,013,213	\$1,019,723	\$6,510
Special Revenue	302,000	191,883	(110,117)
Debt Service	17,028	8,514	(8,514)
Capital Projects	1,157,773	872,373	(285,400)
Enterprise	1,585,000	1,834,584	249,584
Total	\$4,075,014	\$3,927,077	(\$147,937)

2015 Budgeted vs Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,141,617	\$1,123,479	\$18,138
Special Revenue	784,995	283,232	501,763
Debt Service	25,542	15,288	10,254
Capital Projects	801,243	567,158	234,085
Enterprise	2,789,778	2,065,427	724,351
Total	\$5,543,175	\$4,054,584	\$1,488,591

Note 4 – Deposits

The Village maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

	2015
Demand Deposits	\$ 290,647
CDARS	1,735,187
Other Time Deposits	105,743
Total Deposits	2,131,577
Cash on Hand	50
Total	\$2,131,627

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

Income Taxes

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 6 – Interfund Balances and Transfers

Transfers

During 2015, the General Fund made transfers, in the amount of \$8,514 to the Debt Service Funds and \$85,000 to the Enterprise Funds.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a costsharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

Ohio Police and Fire Retirement System

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2015.

Social Security

Several Village employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participant.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

Note 8 - Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2015, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2014 and 2015.

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

	<u>2014</u>	<u>2015</u>
Assets	\$35,402,177	\$38,307,677
Liabilities	(12,363,257)	(12,759,127)
Net Position	<u>\$23,038,920</u>	<u>\$25,548,550</u>

At December 31, 2014 and 2015, respectively, the liabilities above include approximately 11.1 million and \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$10.8 million and \$11.0 million of unpaid claims to be billed. The Pool's membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Village's share of these unpaid claims collectible in future years is approximately \$12,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
<u>2014</u>	<u>2015</u>
\$18,176	\$18,787

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 9 - Debt

Notes Payable

Debt outstanding at December 31, 2016 was as follows:

	Outstanding 12/31/15	Interest Rate
Governmental Activities		
OWDA Loans	\$ 1,786,261	0 - 8.31%
General Obligation Notes	286,807	5%
SIB Loan	556,437	3%
OPWC Loans	71,781	0%
Hearthside Promissary Note	51,205	0%
WTP Clearwell Tank Equipment Loan	352,350	0%
Total	<u>\$ 3,104,841</u>	

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

The Ohio Water Development Authority (OWDA) loans relate to utility construction, improvement, and a CSO (sewer) separation projects. In 1999, the Village was approved for a loan of \$1,210,580 for a construction of a new drinking water treatment plant; this loan has a remaining balance of \$410,088 at year end. In 2005, the Village was approved for a loan of \$89,843 for sanitary sewer line improvement on East Perrin Avenue; this loan has a remaining balance of \$54,755 at year end. In 2009, the Village was approved for a loan of \$412,026 for the sewer separation project; this loan had a remaining balance of \$287,077. In 2012, the Village was approved for a loan of \$290,600 and has received to date \$198,220 for waste water treatment plant improvements. This project has not been finalized yet, but at year end the balance owed was \$140,100. The loan has a remaining balance of \$136,057. In 2013, the Village was approved for a loan of \$991,629 and has received to date \$934,984 for water tower replacement. This project has not been finalized yet, but at year end the balance owed was \$898,284. Four of the five loans are being repaid with revenues generated from user charges; the sanitary sewer line project loan is being repaid with funds transferred from the General Fund.

The General Obligation Notes were issued for the construction of a new Municipal swimming pool for the Village residents. The pool note was issued in November 2007 in the amount of \$520,000 and at year end has a remaining balance of \$286,807. The notes are being retired from General Fund revenue.

In 2014, the State Infrastructure Bank (SIB) approved a loan in the amount of \$642,000 for the reconstruction of Oliver Street. The Village has received \$556,437 to date.

The Ohio Public Works Commission (OPWC) loans relate to the installation of waterlines, and improvements of streets and sewer lines in the Village. There are three separate loans issued in 2006, 2007 and 2009 in the amounts of \$61,062, \$14,400 and \$35,525 respectively, with outstanding balances at year-end of \$33,584, \$8,640 and \$27,828, along with the Liberty Street loan with an outstanding balance of \$1,731. These loans are being retired from debt service funds with monies transferred from the General Fund.

In 2015, Hearthside Food Solutions provided a Promissory Note to the Village in the amount of \$87,780 for the Water Treatment Plant Filter and at year end has a remaining balance of \$51,205.

In 2015, the Utility Service Co., Inc. had purchased equipment for the Water Treatment Plant including labor in the amount \$428,628. At year-end the remaining balance is \$352,350.

Amortization of the above debt, including interest, is scheduled as follows:

Year	General Obligation Notes	OPWC Loans	OWDA Loans	SIB Loan	Hearthside Promissory Note	WTP Equipment Loan
2016	\$44,120	\$6,689	\$237,495	\$52,007	\$51,205	\$19,070
2017	\$44,120	4,957	238,837	52,007		76,278
2018	44,120	4,957	238,837	52,007		76,278
2019	44,120	4,957	180,717	52,007		76,278
2020	44,120	4,957	180,717	52,007		61,145
2021-2025	91,666	24,786	440,138	260,034		43,301
2026-2030		10,413	385,236	156,020		
2031-2035		5,921	248,461			
2036-2040		4,144				
Total	<u>\$312,266</u>	<u>\$71,781</u>	<u>\$2,150,438</u>	<u>\$676,089</u>	<u>\$51,205</u>	<u>\$352,350</u>

VILLAGE OF MCCOMB
HANCOCK COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)

Note 10 – Capital Leases

The Village has entered into capitalized leases for a pick-up truck and SUV. Principal payments in 2015 were \$9,699. Debt outstanding at December 31, 2015 was as follows:

Year:	Governmental Activities
2016	<u>9,698</u>

Note 11 – Miscellaneous Revenues

In 2015, the Village had received \$26,257 in miscellaneous revenues in the Special Revenue fund. \$26,000 was a Donation to the Village's K-9 Fund for the police dog.

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Village of McComb
Hancock County
210 East Main Street, P.O. Box 340
McComb, Ohio 45858-0340

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts and disbursements by fund type of the Village of McComb, Hancock, County, Ohio, (the Village) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated January 30, 2018, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the Village transferred the entire McComb Water and Sewer System to Northwest Water and Sewer District in 2016.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal controls, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-001 and 2016-002 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

Dave Yost
Auditor of State

Columbus, Ohio

January 30, 2018

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 2016-001

1. Material Weakness – Financial Reporting

Accurate financial reporting is the responsibility of the Finance Director and is essential to ensure the information provided to the readers of the financial statements is correct.

The 2016 and 2015 financial statements contained errors, such as the following:

- 2015 Loan proceeds in the amount of \$711,065 were recorded as miscellaneous revenues in the WWTP Improvement and Water Tower Capital Projects Funds, which were reclassified to Other Debt Proceeds.
- 2015 Loan proceeds in the amount of \$428,628 were not recorded on the Village books in the Clearwell Debt Retirement Enterprise.

Due to an insufficiency of monitoring by management the amounts noted above were improperly classified or recorded. Adjustments have been made to the financial statements. Additional errors were noted in smaller relative amounts and reported on the summary of unadjusted differences.

Sound financial reporting is the responsibility of the Fiscal Officer and the governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. To help ensure the Village's financial statements and notes to the statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and the finance committee, to identify and correct errors and omissions. In addition, the Fiscal Officer should also review the Uniform Accounting Network User Manual chart of accounts to ensure all accounts are being properly posted to the financial statements.

FINDING NUMBER 2016-002

2. Material Weakness - Posted vs. Approved Estimated Receipts

Sound accounting practices provide that budgeted revenues posted to the Village's accounting records be based on amounts formally reviewed and approved by Council. Estimated revenues approved by the Council were not posted to the Village's ledgers to reflect the amounts on the Amended Certificates formally approved by the Budget Commission by the following amounts in the following funds:

Village of McComb
Hancock County
Schedule of Findings
Page 2

Fund	2015 Approved Receipts	2015 Posted Receipts	Variance	2016 Approved Receipts	2016 Posted Receipts	Variance
General	\$1,013,213	\$1,009,246	\$3,967			
SCMR - 2011	71,000	66,679	4,321			
State Highway - 2021	5,000	4,724	276			
Street Lighting Assessment - 2401	70,000	59,137	10,863			
Heart and Soul Grant – 2903				\$84,000	\$80,000	\$4,000
WWTP Improvement Project - 4101	184,140	88,855	95,285			
Water Tower Replacement Project – 4102	713,633	510,230	203,395			
Water Operating – 5101	502,000	260,000	242,000			
Sewer Operating - 5201	220,000	492,052	272,052			
Gas Operating - 5601	570,000	213,787	356,213			

Providing inaccurate budgetary information could lead to the Trustees to make misinformed decisions. The budgetary notes were adjusted to reflect the proper amounts. We recommend the Fiscal Officer post estimated revenues to the Village’s computerized ledgers based upon amounts approved by Council and the County Budget Commission, as noted on the amended certificate(s) of estimated resources. As part of the monitoring process, the Fiscal Officer and Council Members should review the records to help ensure that all budgeted amounts are properly reflected in the appropriate funds, and the actual receipts are sufficient to cover appropriated disbursements.

Officials’ Response:

We did not receive a response from Officials to the findings reported above.

**VILLAGE OF MCCOMB
HANCOCK COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016 AND 2015**

Finding Number	Finding Summary	Status	Additional Information
2014-001	Material Weakness – Various revenue misclassification issues.	Not corrected and repeated as Finding # 2016-001 in this report.	Fiscal Officer was not aware of the allocation of the amounts. Management is aware and understands the importance of the information presented on the financial statements and will ensure these errors will be accurately identified and reported.
2014-002	Noncompliance Citation Ohio Rev. Code § 5705.10, Deficit Fund Balances	Corrective action was taken and finding is fully corrected.	

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Dave Yost • Auditor of State

VILLAGE OF MCCOMB

HANCOCK COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 20, 2018